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270540Z Mar 01

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ACTION AF-00

INFO	LOG-00	AID-00	CIAE-00	COME-00	CTME-00	INL-00	USNW-00
	DODE-00	DOFE-00	SRPP-00	DS-00	EB-00	EUR-00	EXIM-01
	E-00	FAAE-00	FBIE-00	VC-00	FRB-00	H-01	TEDE-00
	INR-00	INSE-00	IO-00	ITC-01	JUSE-00	LAB-01	L-00
	AC-01	NSAE-00	NSCE-00	OIC-02	OMB-01	OPIC-01	PA-00
	PM-00	PRS-00	ACE-00	P-00	SCT-00	SP-00	SSO-00
	SS-00	STR-00	TRSE-00	T-00	USIE-00	PMB-00	DSCC-00
	PRM-01	DRL-02	G-00	SAS-00	/012W		

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FM AMEMBASSY HARARE
TO SECSTATE WASHDC PRIORITY 8510
INFO NSC WASHDC PRIORITY
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
USDOC WASHDC
DEPT OF TREASURY WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 HARARE 001124

SIPDIS

STATE FOR AF/S, AF/EPS, EB/IFD/ODF, EB/TPP/ODC
TREASURY FOR ED BARBER, BARAK HOFFMAN
USDOC FOR 2037 ERIC HENDERSON
STATE PASS USTR/RWHITTAKER
NSC FOR SENIOR AFRICA DIRECTOR JFRAZER
LONDON FOR CGURNEY
PARIS FOR BISA WILLIAMS

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E.O. 12958: DECL: 03/26/11
TAGS: [ETRD](#) [EFIN](#) [PREL](#) [PHUM](#) [PGOV](#) [ZI](#)
SUBJECT: INDUSTRY PERMSEC BRIEFS US ON A RANGE OF
ISSUES: AGOA; DEVALUATION; AND TALKS WITH SOUTH
AFRICA

CLASSIFIED BY ECON/COMM OFFICER MARK PROKOP, REASON
1.5 (B), (D)

REFS: A) CAPE TOWN 405

[11](#). (C) SUMMARY: ON MARCH 26 CHARGE AND ECONOFF MET
WITH STEWART COMBERBACH, PERMANENT SECRETARY AT THE
MINISTRY OF INDUSTRY AND INTERNATIONAL TRADE IN AN
INFORMAL MEETING TO DISCUSS CURRENT EVENTS AND
DEVELOPMENTS. THE PERMSEC, WITH WHOM WE ENJOY FRANK
AND HONEST DIALOGUE TOUCHED, UNPROMPTED, ON A BROAD
RANGE OF TIMELY AND NOTEWORTHY TOPICS. THE MAIN
POINTS ARE: THAT ZIMBABWE RETAINS HOPE THAT IT WILL
BE ABLE TO QUALIFY FOR THE BENEFITS OF THE AFRICAN
GROWTH AND OPPORTUNITY ACT (AGO); THAT POLICY
AGREEMENT TO DEVALUE HAS OCCURRED THOUGH WHEN AND BY
HOW MUCH IS YET UNKNOWN; AND THAT THE DIALOGUE WITH
THE SOUTH AFRICANS WAS SUBSTANTIVE AND FRANK, THOUGH
IT IS PREMATURE TO WANT TO SEE CHANGES OR BENEFITS.
THE PERMSEC DID NOT HAVE HARD DATA ON A MEETING DATE
FOR THE MBEKI/MUGABE MEETING, AND WANTS TO MAINTAIN
AN ACTIVE DIALOGUE WITH THE U.S. END SUMMARY.

[12](#). (C) HIS DISTILLED OBSERVATIONS ARE PROVIDED BELOW
IN BULLET FORMAT.

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THE AFRICAN GROWTH AND OPPORTUNITY ACT

== IS AGOA FOR ZIMBABWE DEAD? BASED ON CONVERSATIONS
HELD LAST YEAR WITH FORMER DAS WHITNEY SCHNEIDMANN
AND USTR'S ROSA WHITTAKER, COMBERBACH WAS UNDER THE
IMPRESSION THAT THERE EXISTS A CERTAIN LATITUDE IN
THE INTERPRETATION OF THE ACT'S DEMOCRACY AND HUMAN
RIGHTS HURDLES SET OUT IN THE ACT'S LANGUAGE. IN
OTHER WORDS, IF ZIMBABWE CAN BE SEEN AS MAKING
PROGRESS TOWARDS IMPROVING ITS RULE OF LAW STANCE AND
RESPECT FOR PROPERTY RIGHTS, IS IT SUFFICIENT TO GET
THE TRADE BENEFITS OF THE ACT? WE POINTED OUT THAT
THIS WAS NOT AN INTERPRETATION WE WERE FAMILIAR WITH,
ALSO NOTING THAT RECENT DEVELOPMENTS, SUCH AS THE
OFFICIAL REACTIONS TO BOTH THE CMAG VISIT PROPOSAL
AND THE RECEPTION GIVEN THE INTERNATIONAL BAR
ASSOCIATION DELEGATION TENDED TO MOVE ZIMBABWE'S CASE
FURTHER BACK, RATHER THAN AHEAD. THE PERMSEC WANTS

TO KEEP THE DIALOGUE OPEN ON THE MATTER, WITH THE INTERLOCUTORS HE KNOWS AND WITH THOSE REPRESENTING THE NEW ADMINISTRATION. AS THE EMBASSY IN WASHINGTON HAD NO ONE CAPABLE OF HANDLING THE DIALOGUE, COMBERBACH ASKED FOR CONTACT INFORMATION OF VARIOUS AMERICAN OFFICIALS SO HE COULD DO IT HIMSELF.

== TIED TO THE PRECEDING POINT, COMBERBACH EXPLAINED THAT HE HAD COMMUNICATED ZIMBABWE'S AGOA REQUIREMENTS' PROBLEM TO HIS COUNTERPART AT THE
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MINISTRY OF HOME AFFAIRS. HE RELATED TO US, WITHOUT MUCH ENTHUSIASM, THE RESPONSE HE RECEIVED, WHICH WAS THAT THE RULE OF LAW IS BEING FIRMLY UPHELD THROUGHOUT THE COUNTRY, WITH THE EXCEPTION OF SOME "TRESPASSING" BY "FORMER LIBERATION FIGHTERS". DISINGENUOUS AS THE RESPONSE IS, COMBERBACH HAD REPEATEDLY ASKED THE HOME AFFAIRS MINISTRY FOR A LIST OF ALL THE INCIDENTS TO WHICH THE POLICE HAD TAKEN APPROPRIATE ACTION SO THAT HE COULD FORWARD IT TO THE USG FOR OUR GOOD CONSIDERATION, BUT TO DATE HAD RECEIVED NO SUCH DATA.

THE FOREIGN EXCHANGE MESS AND DEVALUING

== ON DEVALUATION, HE TOLD US THAT A POLICY DECISION HAD BEEN MADE TO DEVALUE, THOUGH THE TIMING, AND THE AMOUNT, OF THE SHIFT HAD NOT YET BEEN DETERMINED, BUT RULED OUT THE POSSIBILITY OF A FLOATING EXCHANGE RATE. HE FURTHER TOLD US THAT IT WAS WITH THIS IN MIND THAT THE FINANCE MINISTER MAKONI HAD MET RECENTLY WITH SOME OF THE MAIN PLAYERS ON THE FOREIGN EXCHANGE SCENE. THESE INCLUDED THE COMMERCIAL BANKS, BUREAUS DE CHANGE AND SOME OF THE LEADING EXPORTERS (THESE IN THE COMPANY OF MINISTERS OF STATE FOR SECURITY, NICHOLAS GOCHE), TO INFORM THEM THAT THIS TIME

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INFO	LOG-00	AID-00	CIAE-00	COME-00	CTME-00	INL-00	USNW-00
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EVERYONE INVOLVED MUST STICK AND PLAY TOGETHER, AND NOT ALLOW THE PARALLEL OR THE BLACK MARKET TO GET TOO FAR AWAY FROM THE OFFICIAL RATE. MAKONI'S MESSAGE WAS THAT "WE WILL NOT PLAY CHASE AFTER JOHNNY" IN TERMS OF THE OPERATIVE EXCHANGE RATE, AS HAS BEEN THE CASE OF LATE, SAID THE PERMSEC. COMBERBACH FURTHER EXPLAINED THAT HIS GOVERNMENT MADE A DISTINCTION BETWEEN A PARALLEL AND A BLACK MARKET FOR FOREIGN CURRENCY. THE FORMER, WHICH QUOTED A RATE SLIGHTLY ABOVE THE OFFICIAL ONE, WAS TOLERABLE AS A PRESSURE VALVE. THE LATTER, WHERE FOREX STARVED PEOPLE PAID

AN EXCHANGE RATE FO UP TO (RECENTLY) 120 ZIMBABWE DOLLARS TO THE U.S. DOLLAR, IS VIEWED BY SOME ZANU-PF POLITBURO MEMBERS AS ECONOMIC SABOTAGE, CARRIED OUT BY PRE-LIBERATION MINDED INDIVIDUALS INTERESTED IN PERSONAL GAIN OR DAMAGE TO THE ECONOMY. IF THIS TYPE OF THINKING PREVAILS, HE TOLD US, THEN IT COULD GET VERY MESSY WITH THE POLICE OR OTHERS BROUGHT IN TO ENFORCE EXCHANGE REGULATIONS, ELIMINATE FOREIGN CURRENCY ACCOUNTS OR SEIZE ASSETS.

THE SOUTH AFRICANS

== ON THE SUBJECT OF THE RECENTLY HELD SOUTH
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AFRICAN/ZIMBABWEAN MINISTERIAL MEETINGS, COMBERBACH TOLD US THAT HE DID NOT HAVE MUCH TO OFFER IN THE WAY OF HARD FACTS OR PARTICULARS, BUT SAID THAT THE TALKS WERE VERY FRANK. HIS EXPLANATION FOR THE LACK OF DATA WAS THAT HIS MINISTER, AND MINISTER MAKONI OF FINANCE, HAD MORE THAN TWO HOURS OF TALKS WITH ONLY MINISTER MANUEL OF SOUTH AFRICA, FOLLOWED BY A PRIVATE DINNER OF THE THREE. HE LAMENTED THE LACK OF INTER-MINISTERIAL COMMUNICATION REFERRING TO MEETING BETWEEN THE AGRICULTURE MINISTER AND HIS COUNTERPART, AND THE ENERGY MINISTER AS WELL, NONE OF THE CONTENT OF WHICH GOT SHARED AMONGST ALL THE GOZ PLAYERS.

== COMBERBACH TOLD US THAT THE SOUTH AFRICANS WERE VERY AWARE OF THE DYNAMICS OF THE POLITICAL SITUATION HERE, AND AS IS THE CASE WITH MANY OF THE NEIGHBORS, SYMPATHIZE WITH THE PREDICAMENT OF THE MUGABE GOVERNMENT. ALL OF THEM REALIZE THAT A BREAK WITH THE PAST HAS TO BE MADE, AND UNDERSTAND THAT THIS WILL BE A DIFFICULT PROCESS, BUT DO NOT WANT TO SUFFER UNNECESSARY COLLATERAL DAMAGE IN THE PROCESS. HE POINTED OUT THAT SOUTH AFRICA HAD LAID ITS CARDS ON THE TABLE AT THE ONSET OF THE MEETING, TELLING THE ZIMBABWEANS THAT: A) FOREIGN DIRECT INVESTMENT IS DOWN SEVERELY IN SOUTH AFRICA AND INDEED WAS INSUFFICIENT FOR THE NEEDS OF THE ECONOMY, A DEVELOPMENT THEY BLAME ON REGIONAL "CONTAGION" (READ ZIMABWE, THE CONGO, MOZAMBIQUE FLOODING AND TERM EXTENSIONS IN NAMIBIA AND ZAMBIA); B) THAT CAPITAL FLIGHT FROM SOUTH AFRICA IS ACCELERATING (BLAMED ON THE SAME "CONTAGION"); AND, C) THAT ALL THE MAJOR
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DONOR COUNTRIES INCLUDING THE U.S., THE EU AND BRITAIN WERE TURNING UP THE HEAT ON SOUTH AFRICA TO DEAL MORE EFFECTIVELY WITH ZIMABBWE.

== ON THE SUBJECT OF THE MBEKI/MUGABE MEETING, (REFTEL REFERS), HE TOO HAD HEARD THAT IT MIGHT OCCUR AT THE END OF THIS WEEK ON MBEKI'S TRIP BACK FROM CUBA, BUT NO HARD ANNOUNCEMENT HAD BEEN MADE YET.

COMMENT

13. (C) COMBERBACH REALIZES THAT HIS EFFORTS AT BAILING ARE INSUFFICIENT FOR THE WATER VOLUME COMING INTO THE HOLD, BUT PUSHES ON OUT OF PROFESSIONAL DEDICATION AND PATRIOTISM. HE SMELLS MORE TROUBLE AHEAD, AND WE PLACE HIGH REGARD IN HIS EXPERIENCE AND PROGNOSTICATION SKILLS. THOUGH HE WAS HONEST WITH US, WE BELIEVE HE WOULD HAVE BEEN MORE FORTHCOMING AND SPECIFIC HAD NOT A MEMBER OF HIS STAFF BEEN IN ATTENDANCE, BUT HIS FRANK ADMISSION THAT PASSION OVERULES THOUGHT IN NATIONAL LEADERSHIP IS VALID. THE VISIT ALLOWED US TO HEAR A REFRESHING IF LONELY VOICE OF REASON. END COMMENT.

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